

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
District-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	32
Notes to Required Supplementary Information - Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 37
Schedule of Expenditures of Federal Awards	5 38-39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40-41
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	42-43
Schedule of Findings and Questioned Costs	44-50

Council Bluffs Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 election)		
Gina Malloy	President	2008
Dave Coziahr	Vice President	2007
Mark McGee	Board Member	2006
Melanie Bates	Board Member	2006
Mark Brandenburg	Board Member	2006
Marvin Arnpriester	Board Member	2007
Janine Headen	Board Member	2008

Board of Education (After September 2006 election)		
Gina Primmer	President	2008
Mark McGee	Vice President	2009
Dave Coziahr	Board Member	2007
Marvin Arnpriester	Board Member	2007
Janine Headen	Board Member	2008
J.J. Harvey	Board Member	2009
Glen Mitchell	Board Member	2009

School Officials		
Jack Keegan	Superintendent	2007
Greg Rodgers	District Secretary/ Treasurer and Executive Director of Finance	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Council Bluffs Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Council Bluffs Community School District, Council Bluffs, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Council Bluffs Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

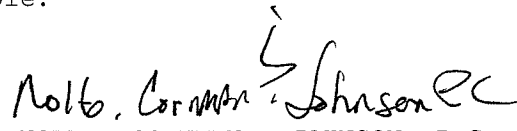
In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2008 on our consideration of the Council Bluffs Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Council Bluffs Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Council Bluffs Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$76,295,175 in fiscal 2006 to \$80,129,450 in fiscal 2007, while General Fund expenditures increased from \$73,368,569 in fiscal 2006 to \$77,942,716 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$6,131,597 in fiscal 2006 to \$8,318,331 in fiscal 2007, a 35.7% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2007. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$635,138 in fiscal year 2006 to \$1,028,879 in fiscal year 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Council Bluffs Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Council Bluffs Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Council Bluffs Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Council Bluffs Community School District Annual Financial Report

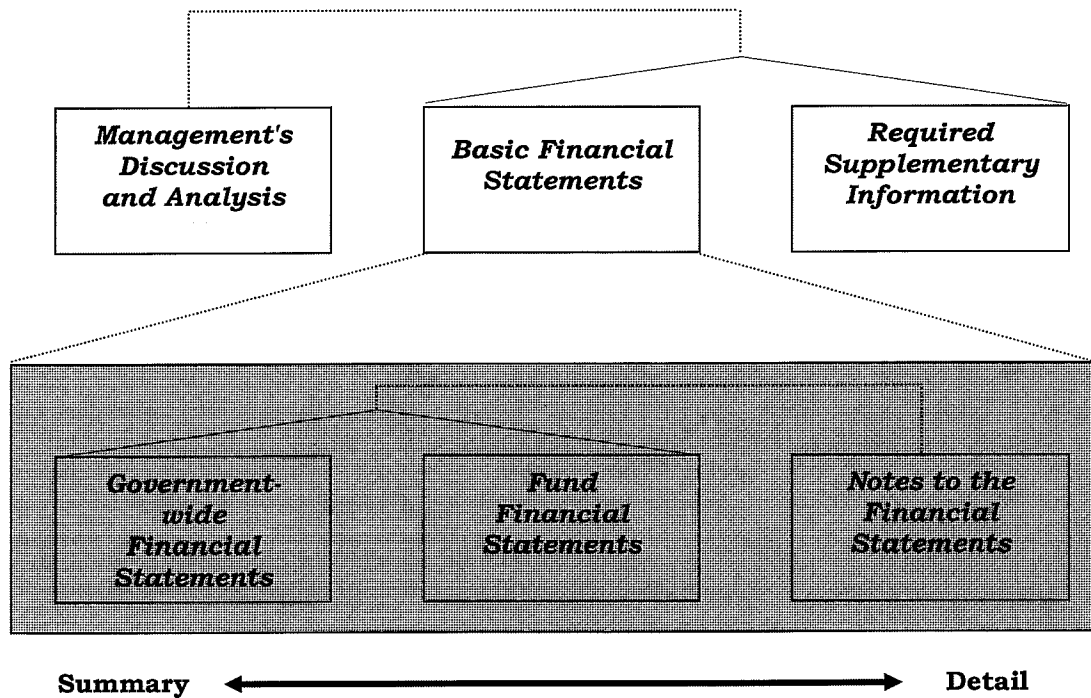


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the

District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 64,059,531	58,946,273	418,924	785,395	64,478,455	59,731,668	7.95%
Capital assets	48,425,880	43,786,387	330,443	200,868	48,756,323	43,987,255	10.84%
Total assets	112,485,411	102,732,660	749,367	986,263	113,234,778	103,718,923	9.17%
Long-term obligations	8,326,546	9,065,180	6,360	0	8,332,906	9,065,180	-8.08%
Other liabilities	43,272,797	41,812,130	226,034	220,850	43,498,831	42,032,980	3.49%
Total liabilities	51,599,343	50,877,310	232,394	220,850	51,831,737	51,098,160	1.44%
Net assets:							
Invested in capital assets, net of related debt	40,300,880	35,517,743	330,443	200,868	40,631,323	35,718,611	13.75%
Restricted	12,710,782	10,502,739	0	0	12,710,782	10,502,739	21.02%
Unrestricted	7,874,406	5,834,868	186,530	564,545	8,060,936	6,399,413	25.96%
Total net assets	\$ 60,886,068	51,855,350	516,973	765,413	61,403,041	52,620,763	16.69%

The District's combined net assets increased by 16.69%, or \$8,782,278, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$2,208,043, or 21.02% compared to the prior year. The increase was primarily a result of the increase in the Capital Projects Fund balance due to construction.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,661,523, or 25.96%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred during the year, as well as classification of liabilities to be paid from General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 4,724,005	3,464,016	1,109,949	1,102,531	5,833,954	4,566,547	27.75%
Operating grants and contributions and restricted interest	12,006,989	13,065,831	2,201,640	2,158,062	14,208,629	15,223,893	-6.67%
Capital grants and contributions and restricted interest	500,000	0	0	0	500,000	0	100.00%
General revenues:							
Property tax	26,846,403	24,091,484	0	0	26,846,403	24,091,484	11.44%
Local option sales and services tax	6,954,235	8,266,836	0	0	6,954,235	8,266,836	-15.88%
Unrestricted state grants	40,990,517	40,211,007	0	0	40,990,517	40,211,007	1.94%
Other	2,693,122	1,246,936	33,602	21,006	2,726,724	1,267,942	115.05%
Total revenues	94,715,271	90,346,110	3,345,191	3,281,599	98,060,462	93,627,709	4.73%
Program expenses:							
Governmental activities:							
Instructional	53,658,501	49,643,947	0	0	53,658,501	49,643,947	8.09%
Support services	24,742,854	23,870,970	258,657	230,157	25,001,511	24,101,127	3.74%
Non-instructional programs	3,272	13,634	3,334,974	3,111,297	3,338,246	3,124,931	6.83%
Other expenses	7,279,926	5,713,681	0	0	7,279,926	5,713,681	27.41%
Total expenses	85,684,553	79,242,232	3,593,631	3,341,454	89,278,184	82,583,686	8.11%
Changes in net assets	9,030,718	11,103,878	(248,440)	(59,855)	8,782,278	11,044,023	-20.48%
Beginning Net Assets	51,855,350	40,751,472	765,413	825,268	52,620,763	41,576,740	26.56%
Ending Net Assets	\$ 60,886,068	51,855,350	516,973	765,413	61,403,041	52,620,763	16.69%

In fiscal 2007, property tax, local option sales and service tax and unrestricted state grants account for 79% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were approximately \$98.06 million of which \$94.71 million was for governmental activities and \$3.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.73% increase in revenues and an 8.11% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$94,715,271 and expenses were \$85,684,553.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 53,658,501	49,643,947	7.48%	40,151,534	36,207,315	9.82%
Support services	24,742,854	23,870,970	3.52%	24,540,827	23,648,238	3.64%
Non-instructional programs	3,272	13,634	-316.69%	3,272	13,634	-316.69%
Other expenses	7,279,926	5,713,681	21.51%	3,757,926	2,843,198	24.34%
Totals	<u>\$ 85,684,553</u>	<u>79,242,232</u>	<u>7.52%</u>	<u>68,453,559</u>	<u>62,712,385</u>	<u>8.39%</u>

- The cost financed by users of the District's programs was \$4,724,005.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$12,506,989.
- The net cost of governmental activities was financed with \$26,846,403 in property tax, \$6,954,235 in local option sales and services tax, \$40,990,517 in unrestricted state grants and \$1,550,590 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$3,345,191 and expenses were \$3,593,631. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Council Bluffs Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$20,814,145, above last year's ending fund balances of \$17,164,911. However, the primary reason for the increase was due to the increase in revenues in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was enough to offset the District's increase in General Fund expenditures, resulting in a fund balance increase from \$6,131,597 to \$8,318,331.
- The Capital Projects Fund balance decreased from \$8,482,400 to \$9,398,941, due in part to the insurance revenue received from the fire at Crescent Elementary.
- The Special Revenue, Management Levy Fund balance decreased from a deficit \$79,147 to a deficit \$111,255. Despite the increase in local tax revenue during the year, the increase in expenditures reduced the chance of the fund balance remaining solvent.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$765,413 at June 30, 2006 to \$516,973 at June 30, 2007, representing a decrease of 32.5%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$164,830 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$49 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 10.84% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,986,793.

The original cost of the District's capital assets was \$76.9 million. Governmental funds account for \$75.7 million with the remainder of \$1.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$19,343,344 at June 30, 2007, compared to \$13,310,872 reported at June 30, 2006. This increase resulted from the construction that was completed during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 1,426,065	1,426,065	0	0	1,426,065	1,426,065	0.00%
Construction in progress	19,343,344	13,310,872	0	0	19,343,344	13,310,872	45.32%
Buildings and land improvements	27,560,945	28,928,119	0	0	27,560,945	28,928,119	-4.73%
Machinery and equipment	95,526	121,331	330,443	200,868	425,969	322,199	32.21%
Total	\$ 48,425,880	43,786,387	330,443	200,868	48,756,323	43,987,255	10.84%

Long-Term Debt

At June 30, 2007, the District had \$8,326,546 in general obligation and other long-term debt outstanding. This represents a decrease of 8.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$8,125,000 at June 30, 2007.

The District had compensated absences payable at June 30, 2007 of \$201,546.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General Obligation Bonds	\$ 8,125,000	8,880,000	-8.5%
National School Fitness Loan		0	12,766 -100.0%
Compensated absences	201,546	172,414	16.9%
Totals	<u>\$ 8,326,546</u>	<u>9,065,180</u>	<u>-8.1%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. The economy impacts the amount of new General Fund money available to the District.
- The District will negotiate a new agreement with the Council Bluffs Education Association (CBEA), Service Employee International Union Local 228 (SEIU) and Communication Workers of America (CWA) during fiscal 2007. Settlements in excess of "new Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District continues to show a decline in enrollment which translates into receiving only 50% of the states percentage of allowable growth. State and Federal grants are anticipated to be down, while fixed costs for utilities and busing service will increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg Rodgers, Executive Director of Finance, Council Bluffs Community School District, 12 Scott Street, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 3)	\$ 4,992,100	0	4,992,100
Other	28,279,525	305,243	28,584,768
Receivables:			
Property tax:			
Delinquent	483,765	0	483,765
Succeeding year	27,977,570	0	27,977,570
Accounts	125,854	15,118	140,972
Accrued ISCAP interest (Note 3)	284,797	0	284,797
Due from other governments	1,831,936	0	1,831,936
Inventories	83,984	98,563	182,547
Capital assets, net of accumulated depreciation (Note 4)	48,425,880	330,443	48,756,323
Total Assets	112,485,411	749,367	113,234,778
Liabilities			
Accounts payable	1,864,363	6,968	1,871,331
Salaries and benefits payable	7,978,263	191,641	8,169,904
ISCAP warrant payable (Note 3)	5,000,000	0	5,000,000
ISCAP interest payable (Note 3)	233,179	0	233,179
ISCAP unamortized premiums	37,100	0	37,100
Accrued interest payable	27,411	0	27,411
Deferred revenue:			
Succeeding year property tax	27,977,570	0	27,977,570
Other	154,911	0	154,911
Unearned revenue	0	27,425	27,425
Long-term liabilities (Note 5):			
Portion due within one year:			
Bonds payable	785,000	0	785,000
Compensated absences payable	201,546	6,360	207,906
Portion due after one year:			
Bonds payable	7,340,000	0	7,340,000
Total Liabilities	51,599,343	232,394	51,831,737
Net Assets			
Invested in capital assets, net of related debt	40,300,880	330,443	40,631,323
Restricted for:			
Beginning teacher mentoring	642	0	642
Salary improvement program	5	0	5
Additional contract day	27,020	0	27,020
Professional development	207	0	207
Market factor	48,325	0	48,325
Beginning administrator mentoring	1,463	0	1,463
Early intervention	17,873	0	17,873
Other state allocations	8,178	0	8,178
Capital projects	9,398,941	0	9,398,941
Debt service	685,538	0	685,538
Physical plant and equipment levy	1,996,105	0	1,996,105
Other special revenue purposes	526,485	0	526,485
Unrestricted	7,874,406	186,530	8,060,936
Total Net Assets	\$ 60,886,068	516,973	61,403,041

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 30,386,159	715,892	8,243,964	0	(21,426,303)	0
Special instruction	18,280,727	285,227	550,848	0	(17,444,652)	0
Other instruction	4,991,615	3,711,036	0	0	(1,280,579)	0
	53,658,501	4,712,155	8,794,812	0	(40,151,534)	0
Support services:						
Student services	4,461,423	0	0	0	(4,461,423)	0
Instructional staff services	1,138,998	0	0	0	(1,138,998)	0
Administration services	9,457,196	0	0	0	(9,457,196)	0
Operation and maintenance of plant services	7,347,367	0	0	0	(7,347,367)	0
Transportation services	2,337,870	11,850	190,177	0	(2,135,843)	0
	24,742,854	11,850	190,177	0	(24,540,827)	0
Non-instruction:						
Community service operations	3,272	0	0	0	(3,272)	0
Other expenditures:						
Facilities acquisitions	1,994,043	0	0	500,000	(1,494,043)	0
Long-term debt interest	359,632	0	0	0	(359,632)	0
AEA flowthrough	3,022,000	0	3,022,000	0	0	0
Depreciation(unallocated)*	1,904,251	0	0	0	(1,904,251)	0
	7,279,926	0	3,022,000	500,000	(3,757,926)	0
Total governmental activities	85,684,553	4,724,005	12,006,989	500,000	(68,453,559)	0
Business-Type activities:						
Support services:						
Administration services	181,827	0	0	0	0	(181,827)
Instructional staff services	1,495	0	0	0	0	(1,495)
Operation and maintenance of plant services	75,240	0	0	0	0	(75,240)
Transportation services	95	0	0	0	0	(95)
	258,657	0	0	0	0	(258,657)
Non-instructional programs:						
Nutrition services	3,334,974	1,109,949	2,201,640	0	0	(23,385)
Total business-type activities	3,593,631	1,109,949	2,201,640	0	0	(282,042)
Total	\$ 89,278,184	5,833,954	14,208,629	500,000	(68,453,559)	(282,042)
General Revenues:						
Property tax for:						
General purposes				\$ 24,063,157	0	24,063,157
Capital outlay				1,662,562	0	1,662,562
Debt service				1,120,684	0	1,120,684
Local option sales and services tax				6,954,235	0	6,954,235
Unrestricted state grants				40,990,517	0	40,990,517
Unrestricted investment earnings				1,550,590	33,602	1,584,192
Other				1,142,532	0	1,142,532
Total general revenues				77,484,277	33,602	77,517,879
Changes in net assets				9,030,718	(248,440)	8,782,278
Net assets beginning of year				51,855,350	765,413	52,620,763
Net assets end of year				\$ 60,886,068	516,973	61,403,041

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 3)	\$ 4,992,100	0	0	4,992,100
Other	15,456,236	9,706,774	3,116,515	28,279,525
Receivables:				
Property tax:				
Delinquent	411,656	0	72,109	483,765
Succeeding year	23,782,819	0	4,194,751	27,977,570
Accounts	125,854	0	0	125,854
Accrued ISCAP interest (Note 3)	284,797	0	0	284,797
Due from other governments	1,294,380	537,176	380	1,831,936
Inventories	83,984	0	0	83,984
Total Assets	\$ 46,431,826	10,243,950	7,383,755	64,059,531
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 927,223	845,009	92,131	1,864,363
Salaries and benefits payable	7,978,263	0	0	7,978,263
ISCAP warrants payable (Note 3)	5,000,000	0	0	5,000,000
ISCAP interest payable (Note 3)	233,179	0	0	233,179
ISCAP unamortized premiums	37,100	0	0	37,100
Deferred revenue:				
Succeeding year property tax	23,782,819	0	4,194,751	27,977,570
Other	154,911	0	0	154,911
Total liabilities	38,113,495	845,009	4,286,882	43,245,386
Fund balances:				
Reserved for:				
Inventories	83,984	0	0	83,984
Debt service	0	0	685,538	685,538
Beginning teacher mentoring	642	0	0	642
Salary improvement program	5	0	0	5
Additional contract day	27,020	0	0	27,020
Professional development	207	0	0	207
Market factor	48,325	0	0	48,325
Beginning administrator mentoring	1,463	0	0	1,463
Early intervention	17,873	0	0	17,873
Other state allocations	8,178	0	0	8,178
Unreserved	8,130,634	9,398,941	2,411,335	19,940,910
Total fund balances	8,318,331	9,398,941	3,096,873	20,814,145
Total Liabilities and Fund Balances	\$ 46,431,826	10,243,950	7,383,755	64,059,531

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15) \$ 20,814,145

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 48,425,880

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (27,411)

Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (8,326,546)

Net assets of governmental activites (page 13) \$ 60,886,068

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 22,860,027	6,954,235	3,986,376	33,800,638
Tuition	1,001,119	0	0	1,001,119
Other	3,270,798	360,244	1,733,462	5,364,504
State sources	48,469,877	0	0	48,469,877
Federal sources	4,527,629	415,000	85,000	5,027,629
Total revenues	80,129,450	7,729,479	5,804,838	93,663,767
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	30,386,159	0	0	30,386,159
Special instruction	18,280,727	0	0	18,280,727
Other instruction	3,380,463	0	1,604,035	4,984,498
	52,047,349	0	1,604,035	53,651,384
Support services:				
Student services	4,465,882	0	0	4,465,882
Instructional staff services	1,138,998	0	0	1,138,998
Administration services	9,176,301	3,500	250,414	9,430,215
Operation and maintenance of plant services	6,102,044	0	1,233,772	7,335,816
Transportation services	1,986,870	0	351,000	2,337,870
	22,870,095	3,500	1,835,186	24,708,781
Non-instructional:				
Community service operations	3,272	0	0	3,272
Other expenditures:				
Facilities acquisitions	0	7,860,942	688,903	8,549,845
Long-term debt:				
Principal	0	0	767,766	767,766
Interest and fiscal charges	0	0	362,989	362,989
AEA flowthrough	3,022,000	0	0	3,022,000
	3,022,000	7,860,942	1,819,658	12,702,600
Total expenditures	77,942,716	7,864,442	5,258,879	91,066,037
Excess (deficiency) of revenues over (under) expenditures	2,186,734	(134,963)	545,959	2,597,730
Extraordinary items (Note 11):				
Compensation for significant loss of fixed assets	0	1,051,504	0	1,051,504
Total extraordinary items	0	1,051,504	0	1,051,504
Net change in fund balances	2,186,734	916,541	545,959	3,649,234
Fund balance beginning of year	6,131,597	8,482,400	2,550,914	17,164,911
Fund balance end of year	\$ 8,318,331	9,398,941	3,096,873	20,814,145

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 3,649,234

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 7,240,842	
Depreciation expense	(1,946,301)	
Loss on disposal of capital assets	<u>(655,048)</u>	4,639,493

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

767,766

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,357

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		<u>(29,132)</u>
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Changes in net assets of governmental activities (page 14)

\$ 9,030,718

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition
Assets	
Cash and cash equivalents	\$ 305,243
Accounts receivable	15,118
Inventories	98,563
Capital assets, net of accumulated depreciation (Note 4)	330,443
Total Assets	749,367
Liabilities	
Accounts payable	6,968
Salaries and benefits payable	191,641
Compensated absences payable	6,360
Unearned revenue	27,425
Total Liabilities	232,394
Net Assets	
Invested in capital assets	330,443
Unrestricted	186,530
Total Net Assets	\$ 516,973

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 1,109,949
TOTAL OPERATING REVENUES	<u>1,109,949</u>
OPERATING EXPENSES:	
Support services:	
Instructional staff services:	
Services	1,495
Administrative services:	
Salaries	118,268
Benefits	30,709
Services	32,850
Operation and maintenance of plant services:	
Services	63,410
Supplies	11,830
Transportation services:	
Services	95
	<u>258,657</u>
Non-instructional programs:	
Food service operations:	
Salaries	1,028,340
Benefits	461,666
Services	15,588
Supplies	1,788,888
Depreciation	40,492
	<u>3,334,974</u>
TOTAL OPERATING EXPENSES	<u>3,593,631</u>
OPERATING LOSS	<u>(2,483,682)</u>
NON-OPERATING REVENUES:	
State sources	43,018
Federal sources	2,158,622
Interest income	33,602
TOTAL NON-OPERATING REVENUES	<u>2,235,242</u>
Change in net assets	(248,440)
Net assets beginning of year	<u>765,413</u>
Net assets end of year	<u>\$ 516,973</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,073,188
Cash received from miscellaneous operating activities	27,564
Cash payments to employees for services	(1,631,251)
Cash payments to suppliers for goods or services	(1,709,019)
Net cash used in operating activities	<u>(2,239,518)</u>
Cash flows from non-capital financing activities:	
State grants received	43,018
Federal grants received	1,981,780
Net cash provided by non-capital financing activities	<u>2,024,798</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(170,067)</u>
Cash flows from investing activities:	
Interest on investments	<u>33,602</u>
Net decrease in cash and cash equivalents	(351,185)
Cash and cash equivalents at beginning of year	<u>656,428</u>
Cash and cash equivalents at end of year	<u>\$ 305,243</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,483,682)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	176,842
Depreciation	40,492
Decrease in inventories	24,355
Increase in accounts receivable	(9,069)
Increase in accounts payable	3,940
Increase in salaries and benefits payable	6,617
Increase in compensated absences payable	1,115
Decrease in unearned revenue	(128)
Net cash used in operating activities	<u>\$ (2,239,518)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 305,243</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$176,842.

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Council Bluffs Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Carter Lake, Crescent and Council Bluffs, Iowa, and the predominate agricultural territory in Pottawattamie County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Council Bluffs Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Council Bluffs Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for the collection of local option sales and services tax and capital improvement expenditures.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The

lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 4,426,950</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	283,305	0	231,906
2007-08A	6/28/07	6/28/08	4,992,100	1,492	5,000,000	1,273
Total			\$ 4,992,100	284,797	5,000,000	233,179

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2007.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,426,065	0	0	1,426,065
Construction in progress	13,310,872	6,342,340	309,868	19,343,344
Total capital assets not being depreciated	14,736,937	6,342,340	309,868	20,769,409
Capital assets being depreciated:				
Buildings and land improvements	52,452,664	1,178,378	1,270,172	52,360,870
Machinery and equipment	2,542,536	29,992	8,800	2,563,728
Total capital assets being depreciated	54,995,200	1,208,370	1,278,972	54,924,598
Less accumulated depreciation for:				
Buildings and land improvements	23,524,545	1,890,504	615,124	24,799,925
Machinery and equipment	2,421,205	55,797	8,800	2,468,202
Total accumulated depreciation	25,945,750	1,946,301	623,924	27,268,127
Total capital assets being depreciated, net	29,049,450	(737,931)	655,048	27,656,471
Governmental activities capital assets, net	\$ 43,786,387	5,604,409	964,916	48,425,880

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 1,066,516	170,067	0	1,236,583
Less accumulated depreciation	865,648	40,492	0	906,140
Business-type activities capital assets, net	\$ 200,868	129,575	0	330,443

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 7,117
Support services:	
Administration	12,871
Operation and maintenance of plant services	22,062
	42,050
Unallocated depreciation	1,904,251
Total governmental activities depreciation expense	\$ 1,946,301
Business-type activities:	
Food services	\$ 40,492
Total business-type activities depreciation expense	\$ 40,492

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 8,880,000	0	755,000	8,125,000	785,000
National School Fitness Loan	12,766	0	12,766	0	0
Compensated Absences	172,414	201,546	172,414	201,546	201,546
Total	\$ 9,065,180	201,546	940,180	8,326,546	986,546

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year	Bond Issue of April 1, 2002			
Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.65-3.80 %	\$ 785,000	336,048	1,121,048
2009	3.80-4.00	840,000	307,460	1,147,460
2010	4.00-4.10	1,000,000	271,000	1,271,000
2011	4.10-4.20	1,000,000	230,250	1,230,250
2012	4.10-4.20	1,000,000	188,500	1,188,500
2013-2016	4.20-4.60	3,500,000	316,500	3,816,500
Total		\$ 8,125,000	1,649,758	9,774,758

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$2,749,926, \$2,625,627 and \$2,595,796 respectively, equal to the required contributions for each year.

(7) Risk Management

Council Bluffs Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction

of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,022,000 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balance

The District has a deficit undesignated fund balances in the Special Revenue, Management Fund of \$111,255.

(10) Construction Commitments

The District has entered into various contracts for various projects within the District. As of June 30, 2007, costs of \$19,343,344 had been incurred against the contracts. The balance remaining at June 30, 2007 will be paid as work on the projects progresses.

(11) Extraordinary Item

During July, 2006, Crescent Elementary School experienced a devastating fire. The District received insurance payments in the amount of \$1,051,504 for services and property replacement related to the fire.

(12) Contingencies

As of June 30, 2007, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 40,166,261	1,143,551	41,309,812	42,382,439	42,382,439	(1,072,627)
State sources	48,469,877	43,018	48,512,895	47,861,689	47,861,689	651,206
Federal sources	5,027,629	2,158,622	7,186,251	6,600,000	6,600,000	586,251
Total revenues	93,663,767	3,345,191	97,008,958	96,844,128	96,844,128	164,830
Expenditures:						
Instruction	53,651,384	0	53,651,384	55,758,267	56,358,267	2,706,883
Support services	24,708,781	258,657	24,967,438	21,943,090	25,443,090	475,652
Non-instructional programs	3,272	3,334,974	3,338,246	3,800,000	3,800,000	461,754
Other expenditures	12,702,600	0	12,702,600	18,382,355	14,282,355	1,579,755
Total expenditures	91,066,037	3,593,631	94,659,668	99,883,712	99,883,712	5,224,044
Excess(deficiency) of revenues over(under) expenditures	2,597,730	(248,440)	2,349,290	(3,039,584)	(3,039,584)	5,388,874
Other financing sources, net	1,051,504	0	1,051,504	0	0	1,051,504
Excess(deficiency) of revenues and other financing sources over(under) expenditures	3,649,234	(248,440)	3,400,794	(3,039,584)	(3,039,584)	6,440,378
Balance beginning of year	17,164,911	765,413	17,930,324	12,853,570	12,853,570	5,076,754
Balance end of year	\$ 20,814,145	516,973	21,331,118	9,813,986	9,813,986	11,517,132

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment reclassifying budgeted expenditures from the other expenditures to the instruction and support services functional areas.

OTHER SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
Assets						
Cash and pooled investments	\$ (90,546)	542,926	1,999,014	2,451,394	665,121	3,116,515
Receivables:						
Property tax:						
Current year delinquent	21,666	0	30,132	51,798	20,311	72,109
Succeeding year	1,300,000	0	1,773,703	3,073,703	1,121,048	4,194,751
Accounts	117	0	157	274	106	380
Total Assets	\$ 1,231,237	542,926	3,803,006	5,577,169	1,806,586	7,383,755
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 42,492	16,441	33,198	92,131	0	92,131
Deferred revenue:						
Succeeding year property tax	1,300,000	0	1,773,703	3,073,703	1,121,048	4,194,751
Total liabilities	1,342,492	16,441	1,806,901	3,165,834	1,121,048	4,286,882
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	685,538	685,538
Unreserved	(111,255)	526,485	1,996,105	2,411,335	0	2,411,335
Total fund balances	(111,255)	526,485	1,996,105	2,411,335	685,538	3,096,873
Total Liabilities and Fund Balances	\$ 1,231,237	542,926	3,803,006	5,577,169	1,806,586	7,383,755

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,203,130	0	1,662,562	2,865,692	1,120,684	3,986,376
Other	26,086	1,545,909	107,582	1,679,577	53,885	1,733,462
Federal sources	0	0	85,000	85,000	0	85,000
TOTAL REVENUES	1,229,216	1,545,909	1,855,144	4,630,269	1,174,569	5,804,838
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	1,604,035	0	1,604,035	0	1,604,035
Support services:						
Administration services	215,904	0	34,110	250,014	400	250,414
Operation and maintenance of plant services	1,045,420	0	188,352	1,233,772	0	1,233,772
Transportation services	0	0	351,000	351,000	0	351,000
Other expenditures:						
Facilities acquisitions	0	0	688,903	688,903	0	688,903
Long-term debt:						
Principal	0	0	0	0	767,766	767,766
Interest and fiscal charges	0	0	0	0	362,989	362,989
TOTAL EXPENDITURES	1,261,324	1,604,035	1,262,365	4,127,724	1,131,155	5,258,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,108)	(58,126)	592,779	502,545	43,414	545,959
FUND BALANCE BEGINNING OF YEAR	(79,147)	584,611	1,403,326	1,908,790	642,124	2,550,914
FUND BALANCE END OF YEAR	\$ (111,255)	526,485	1,996,105	2,411,335	685,538	3,096,873

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thomas Jefferson SHS	\$ 134,235	409,216	436,018	107,433
Abraham Lincoln SHS	249,589	667,358	670,394	246,553
Kanesville AHS	18,365	6,701	6,103	18,963
Tucker Center	0	31,113	30,619	494
Kirn JHS	73,770	187,678	213,792	47,656
Woodrow Wilson JHS	27,572	101,282	104,596	24,258
Bloomer	7,500	17,204	17,246	7,458
Carter Lake	2,523	16,984	16,244	3,263
Crescent	2,204	1,165	678	2,691
Edison	5,709	12,614	15,349	2,974
Franklin	13,864	20,790	18,760	15,894
Gunn	3,843	9,384	9,104	4,123
Hoover	4,255	23,065	21,509	5,811
Lewis & Clark	6,470	10,485	9,841	7,114
Longfellow	12,469	4,678	4,538	12,609
Pusey	3,460	1,545	1,745	3,260
Roosevelt	9,530	10,009	10,431	9,108
Rue	851	7,211	5,908	2,154
Walnut Grove	2,193	6,095	6,461	1,827
Washington	6,209	1,332	4,699	2,842
Total	\$ 584,611	1,545,909	1,604,035	526,485

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 33,800,638	32,358,320	29,558,248	28,021,949
Tuition	1,001,119	934,227	971,579	1,004,915
Other	5,364,504	4,525,895	4,052,423	4,079,776
State sources	48,469,877	47,028,209	45,044,989	44,039,083
Federal sources	5,027,629	5,499,459	5,380,725	5,787,580
Total	<u>\$ 93,663,767</u>	<u>90,346,110</u>	<u>85,007,964</u>	<u>82,933,303</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 30,386,159	28,609,550	29,155,128	30,176,923
Special instruction	18,280,727	16,567,128	18,282,359	17,447,372
Other instruction	4,984,498	4,460,152	4,859,342	4,434,406
Support services:				
Student services	4,465,882	4,054,876	2,849,159	3,303,589
Instructional staff services	1,138,998	1,803,741	813,753	1,326,278
Administration services	9,430,215	9,291,532	8,873,662	7,135,571
Operation and maintenance of plant services	7,335,816	6,532,393	5,532,584	5,278,446
Transportation services	2,337,870	2,242,997	1,888,832	1,871,585
Central support services	0	0	0	344,896
Non-instructional programs	3,272	13,634	0	13,282
Other expenditures:				
Facilities acquisitions	8,549,845	10,962,240	4,973,933	5,851,681
Long-term debt:				
Principal	767,766	845,305	841,074	811,336
Interest and other charges	362,989	389,130	432,941	466,849
AEA flow-through	3,022,000	2,870,483	2,783,962	2,780,666
Total	<u>\$ 91,066,037</u>	<u>88,643,161</u>	<u>81,286,729</u>	<u>81,242,880</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	\$ 176,842
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	279,142
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	1,600,250
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 07	65,519
			<u>1,944,911</u>
NUTRITION EDUCATION AND TRAINING PROGRAM	10.564	FY 07	<u>36,869</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-G-07	<u>1,780,065</u>
TRIO TALENT SEARCH	84.044	FY 07	<u>39,037</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>44,162</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 07	<u>24,500</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	84,359
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 07	500,000
			<u>584,359</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 07	<u>20,574</u>
SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	84.323	FY 07	<u>2,850</u>
SPECIAL EDUCATION - TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES & RESULTS FOR CHILDREN WITH DISABILITIES	84.326	FY 07	<u>200</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 07	<u>780</u>
READING FIRST STATE GRANTS	84.357	FY 07	<u>224,923</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 07	<u>47,089</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 07	<u>522,885</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 07	<u>63,938</u>
AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>550,848</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>117,095</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 07	<u>80,662</u>
EARLY READING FIRST	84.359	FY 07	<u>156,903</u>
TOTAL			<u>\$ 6,419,492</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Council Bluffs Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Council Bluffs Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Council Bluffs Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Council Bluffs Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Council Bluffs Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Council Bluffs Community School District's financial statements that is more than inconsequential will not be prevented or detected by Council Bluffs Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Council Bluffs Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Council Bluffs Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Council Bluffs Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Council Bluffs Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Council Bluffs Community School District and other parties to whom Council Bluffs Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Council Bluffs Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2008

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Council Bluffs Community School District:

Compliance

We have audited the compliance of Council Bluffs Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Council Bluffs Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Council Bluffs Community School District's management. Our responsibility is to express an opinion on Council Bluffs Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council Bluffs Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Council Bluffs Community School District's compliance with those requirements.

In our opinion, Council Bluffs Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Council Bluffs Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Council Bluffs Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Council Bluffs Community School District and other parties to whom Council Bluffs Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2008

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Program for Children
 - Individual
 - CFDA Number 84.215 - Fund For the Improvement of Education
 - CFDA Number 84.367 - Improving Teacher Quality State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Council Bluffs Community School District qualified as a low-risk auditee.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

II-B-07 Check Signatures - Checks written from the Student Activity Fund at the various centers do not require the signature of the Board Secretary and the Board President.

Recommendation - All checks written from District accounts should bear two signatures, with one of them being the signature of the Secretary of the Board and the other being the Board President, in compliance with Chapter 291.8 and Chapter 291.1 of the Code of Iowa.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

II-C-07 Gate Admissions - We noted during our audit, that the gate admissions were not always reconciled to pre-numbered tickets.

Recommendation - Although, the District has procedures for gate reconciliations, the procedures are not always followed. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued, at each event in which the District collects admission.

Response - We have communicated the concerns to the Athletic Directors and they will comply with the recommendation.

Conclusion - Response accepted.

II-D-07 Purchase Orders - We noted during our audit that purchase orders were dated after the supplies had been either ordered or received.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

Response - We will investigate alternatives and make the necessary changes.

Conclusion - Response accepted.

- II-E-07 Activity Fund Invoices - We noted during our audit that expenditures made did not always have invoices to support the payment. We noted during our audit, instances of no supporting documentation to go with the cancelled check stubs and purchase orders at Thomas Jefferson High School for the first half of the fiscal year.

Recommendation - The District should present the bills for payment to the Board for proper approval in accordance with the district policy of payment of goods. The District should also review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

- II-F-07 Receipting/Depositing Process - We noted during our audit of the receipting process at Thomas Jefferson High School, that deposits made were extremely difficult to reconcile back to the receipts. The process of collection of money and issuance of the receipt, subsequently depositing the money and recording the receipt into the District accounting software appears to have weaknesses which do not allow for tracing of specific receipts. We noted that the deposit slips did not contain a detail listing of the checks and cash included in the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipts numbers included on that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

- II-G-07 Pre-numbered Receipting Procedures - We noted during our audit that the Student Activity Fund does not use pre-numbered receipts when money is collected from the students or when money is turned into the Activities office.

Recommendation - Better internal controls are achieved if the District uses pre-numbered receipts at multiple levels, and reconciles the receipts to deposits and revenues posted

when performing bank reconciliations. The District should review their procedures to ensure that internal control processes are being utilized at all levels of receipting.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was understated. The District's certified enrollment count on line 2 was understated by 4 students, and line 3 was understated by 7 students. This resulted in understating the total actual enrollment at line 7 by 11 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-07 Financial Condition - During our audit we noted that the District had a deficit fund balance of \$111,255 in the Special Revenue, Management Levy Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We are monitoring the fund and are working to eliminate the deficit.

Conclusion - Response accepted.

IV-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The Student Activity Fund has been brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.